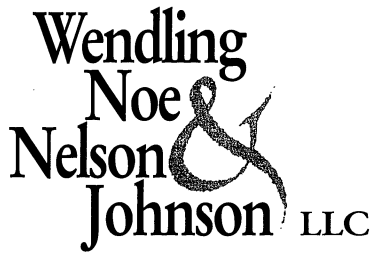


FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
CITY OF EDWARDSVILLE, KANSAS  
DECEMBER 31, 2011

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor and City Council  
City of Edwardsville, Kansas

We have audited the accompanying financial statements of the City of Edwardsville, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City of Edwardsville, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note B, the City of Edwardsville, Kansas, has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effect of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Edwardsville, Kansas, as of December 31, 2011, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Edwardsville, Kansas, as of December 31, 2011, and its cash receipts and expenditures, budgetary comparisons, and changes in long-term debt and long-term debt maturities for the year then ended, on the basis of accounting described in Note B.

*Wendling Noe Nelson & Tolk LLC*

Topeka, Kansas

May 31, 2012

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
Year ended December 31, 2011

<u>Funds</u>	<u>Certified budget</u>	<u>Adjustments for qualifying budget credits</u>	<u>Total for budget comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
Governmental type funds					
General	\$4,090,408	\$ -	\$4,090,408	\$3,800,364	\$290,044
Special revenue funds					
Cemetery Levy	-		-	-	-
Special Highway	287,047		287,047	254,050	32,997
Sewer Maintenance	100,000		100,000	99,289	711
Solid Waste	115,046		115,046	114,129	917
Special Parks and Recreation	10,000		10,000	1,810	8,190
Economic Development	187,032		187,032	169,668	17,364
Debt service fund					
Bond and interest	892,509		892,509	892,509	

The accompanying notes are an integral part of these statements.

## CITY OF EDWARDSVILLE, KANSAS

## GENERAL FUND

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Property taxes	\$1,552,427	\$1,605,719	\$ (53,292)
Delinquent taxes	42,401		42,401
Auto ad valorem taxes	132,644	134,503	(1,859)
Local retail sales taxes	1,036,486	949,988	86,498
Payment in lieu of taxes	175,156	187,278	(12,122)
Franchise fees	414,373	330,000	84,373
Intergovernmental	3,585	4,908	(1,323)
Licenses, permits, and fees	74,687	64,705	9,982
Municipal court	310,184	325,000	(14,816)
Fees for services	47,002	60,145	(13,143)
Interest	4,984	10,000	(5,016)
Miscellaneous	43,587	54,250	(10,663)
Total cash receipts	<u>3,837,516</u>	<u>3,726,496</u>	<u>111,020</u>
Expenditures			
General administration	575,634	686,044	110,410
Fire department	905,014	866,477	(38,537)
Police department	1,220,304	1,205,477	(14,827)
Court	163,376	165,717	2,341
Employee benefits	833,022	907,951	74,929
Parks and recreation	85,420	107,218	21,798
Community Center	17,594	16,100	(1,494)
Contingency		135,424	135,424
Total expenditures	<u>3,800,364</u>	<u>4,090,408</u>	<u>290,044</u>
Receipts over (under)			
expenditures	37,152	(363,912)	401,064
Other financing sources (uses)			
Operating transfers in	<u>194,335</u>	<u>178,685</u>	<u>15,650</u>
Receipts and other sources over			
expenditures (expenditures and			
other uses over receipts)	231,487	(185,227)	416,714
Unencumbered cash balance			
beginning of year	<u>418,542</u>	<u>382,616</u>	<u>35,926</u>
Unencumbered cash balance			
end of year	<u>\$ 650,029</u>	<u>\$ 197,389</u>	<u>\$452,640</u>

The accompanying notes are an integral part of these statements.

## CITY OF EDWARDSVILLE, KANSAS

## CEMETERY LEVY FUND

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Miscellaneous	\$ -	\$ -	\$ -
Expenditures			
Cemetery board	_____	_____	_____
Receipts over expenditures	-	-	-
Unencumbered cash balance beginning of year	<u>699</u>	<u>-</u>	<u>699</u>
Unencumbered cash balance end of year	<u>\$699</u>	<u>\$ -</u>	<u>\$699</u>

The accompanying notes are an integral part of these statements.



CITY OF EDWARDSVILLE, KANSAS  
SPECIAL HIGHWAY FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
Year ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Intergovernmental	\$210,384	\$210,384	\$ -
Expenditures			
Highways and streets	<u>179,050</u>	<u>212,047</u>	<u>32,997</u>
Receipts over expenditures	31,334	(1,663)	32,997
Other financing sources (uses)			
Operating transfers out	<u>(75,000)</u>	<u>(75,000)</u>	<u>          </u>
Receipts and other sources over expenditures (expenditures and other uses over receipts)	(43,666)	(76,663)	32,997
Unencumbered cash balance beginning of year	<u>86,827</u>	<u>86,827</u>	<u>          </u>
Unencumbered cash balance end of year	<u>\$ 43,161</u>	<u>\$ 10,164</u>	<u>\$32,997</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
SEWER MAINTENANCE FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
Year ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	<u>Variance favorable (unfavorable)</u>
Cash receipts			
Charges for services	\$79,422	\$73,912	\$5,510
Expenditures			
Materials, supplies, and repairs	<u>14,289</u>	<u>15,000</u>	<u>711</u>
Receipts over expenditures	65,133	58,912	6,221
Other financing sources (uses)			
Operating transfers out	<u>(85,000)</u>	<u>(85,000)</u>	<u>          </u>
Receipts and other sources over expenditures (expenditures and other uses over receipts)	(19,867)	(26,088)	6,221
Unencumbered cash balance beginning of year	<u>78,931</u>	<u>78,931</u>	<u>          </u>
Unencumbered cash balance end of year	<u>\$59,064</u>	<u>\$52,843</u>	<u>\$6,221</u>

The accompanying notes are an integral part of these statements.

## CITY OF EDWARDSVILLE, KANSAS

## SOLID WASTE FUND

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Charges for services	\$136,394	\$123,840	\$12,554
Expenditures			
Solid waste charges	<u>114,129</u>	<u>115,046</u>	<u>917</u>
Receipts over expenditures (expenditures over receipts)	22,265	8,794	13,471
Unencumbered cash balance (deficit) beginning of year	<u>10,275</u>	<u>10,275</u>	<u>          </u>
Unencumbered cash balance end of year	<u>\$ 32,540</u>	<u>\$ 19,069</u>	<u>\$13,471</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
SPECIAL PARKS AND RECREATION FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
Year ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Intergovernmental	\$ 3,584	\$ 4,908	\$ (1,324)
Expenditures			
Culture and recreation	<u>1,810</u>	<u>10,000</u>	<u>8,190</u>
Receipts over expenditures (expenditures over receipts)	1,774	(5,092)	6,866
Unencumbered cash balance beginning of year	<u>18,503</u>	<u>13,929</u>	<u>4,574</u>
Unencumbered cash balance end of year	<u>\$20,277</u>	<u>\$ 8,837</u>	<u>\$11,440</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
 ECONOMIC DEVELOPMENT  
 STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET  
 Year ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Miscellaneous	\$ 88,255	\$ 88,255	\$ -
Expenditures			
Economic development	<u>169,668</u>	<u>187,032</u>	<u>17,364</u>
Receipts over expenditures (expenditures over receipts)	(81,413)	(98,777)	17,364
Unencumbered cash balance beginning of year	<u>169,770</u>	<u>169,770</u>	<u>          </u>
Unencumbered cash balance end of year	<u>\$ 88,357</u>	<u>\$ 70,993</u>	<u>\$17,364</u>

The accompanying notes are an integral part of these statements.

## CITY OF EDWARDSVILLE, KANSAS

## DEBT SERVICE FUND

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Cash receipts			
Property taxes	\$434,359	\$449,278	\$ (14,919)
Delinquent taxes	9,277		9,277
Auto ad valorem taxes	32,239	34,760	(2,521)
Benefit district assessments	130,495	122,813	7,682
Payment in lieu of taxes	49,008	48,401	607
Interest		3,000	(3,000)
Total cash receipts	<u>655,378</u>	<u>658,252</u>	<u>(2,874)</u>
Expenditures			
Principal - bonds	450,000	450,000	
Principal - revolving loan	135,669	135,669	
Interest and commissions	306,840	306,840	
Total expenditures	<u>892,509</u>	<u>892,509</u>	<u>-</u>
Receipts over expenditures (expenditures over receipts)	(237,131)	(234,257)	(2,874)
Other financing sources (uses)			
Transfers in	<u>160,000</u>	<u>165,000</u>	<u>(5,000)</u>
Receipts and other sources over expenditures (expenditures and other uses over receipts)	(77,131)	(69,257)	(7,874)
Unencumbered cash balance beginning of year	<u>105,314</u>	<u>102,100</u>	<u>3,214</u>
Unencumbered cash balance end of year	<u>\$ 28,183</u>	<u>\$ 32,843</u>	<u>\$ (4,660)</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
LAW ENFORCEMENT TRUST FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2011

Cash receipts	
Miscellaneous	\$3,580
Expenditures	
Public safety	<u>5,374</u>
Receipts over expenditures	
(expenditures over receipts)	(1,794)
Unencumbered cash balance	
beginning of year	<u>2,254</u>
Unencumbered cash balance	
end of year	<u>\$ 460</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
CEMETERY BOARD OPERATING FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2011

Cash receipts	
Fees for services	\$ 4,450
Interest	<u>648</u>
Total cash receipts	<u>5,098</u>
Expenditures	
Cemetery board	<u>15,443</u>
Total expenditures	<u>15,443</u>
Receipts over expenditures	
(expenditures over receipts)	(10,345)
Unencumbered cash balance	
beginning of year	<u>108,366</u>
Unencumbered cash balance	
end of year	<u>\$ 98,021</u>

The accompanying notes are an integral part of these statements.



CITY OF EDWARDSVILLE, KANSAS  
GOVERNMENTAL GRANTS FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2011

Cash receipts	
Intergovernmental	\$194,335
Expenditures	
Public safety	<u>-</u>
Receipts over expenditures	
(expenditures over receipts)	194,335
Other financing sources (uses)	
Transfers out	<u>(194,335)</u>
Receipts and other sources over	
expenditures (expenditures and	
other uses over receipts)	-
Unencumbered cash balance	
beginning of year	<u>-</u>
Unencumbered cash balance	
end of year	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
TECHNOLOGY FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2011

Cash receipts	
Miscellaneous	<u>\$3,799</u>
Expenditures	
General government	<u>-</u>
Receipts over expenditures	
(expenditures over receipts)	3,799
Unencumbered cash balance beginning	
of year	<u>          </u>
Unencumbered cash balance end of year	<u>\$3,799</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
CAPITAL IMPROVEMENT FUND - 2006 GO BOND ISSUE  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2011

Cash receipts	
Interest	\$ 8,826
Expenditures	
Capital improvements	<u>-</u>
Receipts over expenditures	
(expenditures over receipts)	8,826
Other financing sources (uses)	
Transfers out	<u>(94,693)</u>
Receipts and other sources over	
expenditures (expenditures and	
other uses over receipts)	(85,867)
Unencumbered cash balance beginning	
of year	<u>1,023,702</u>
Unencumbered cash balance end of year	<u>\$ 937,835</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
CAPITAL IMPROVEMENT FUND - 110TH STREET  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2011

Cash receipts	
Miscellaneous	\$ -
Expenditures	
Capital improvements	90,193
Professional services	<u>4,500</u>
Total expenditures	<u>94,693</u>
Receipts over expenditures	
(expenditures over receipts)	(94,693)
Other financing sources	
Transfers in	<u>94,693</u>
Receipts and other sources over	
expenditures (expenditures and	
other uses over receipts)	<u>-</u>
Unencumbered cash balance beginning	
of year	<u>-</u>
Unencumbered cash balance end of year	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
CAPITAL IMPROVEMENT FUND - EARP INSPECTIONS  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES  
Year ended December 31, 2011

Cash receipts	
Miscellaneous	\$11,000
Expenditures	
Professional services	<u>18,610</u>
Receipts over expenditures	
(expenditures over receipts)	(7,610)
Unencumbered cash balance	
beginning of year	<u>7,610</u>
Unencumbered cash balance	
end of year	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
 STATEMENT OF CHANGES IN LONG-TERM DEBT  
 Year ended December 31, 2011

<u>Issue</u>	<u>Interest rates</u>	<u>Date of issue</u>	<u>Amount of issue</u>	<u>Date of final maturity</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ payments</u>	<u>Balance end of year</u>	<u>Interest paid</u>
2006 General Obligation Bonds	3.85% - 5.00%	06-01-2006	\$5,260,000	12-01-2021	\$4,915,000	\$ -	\$360,000	\$4,555,000	\$202,905
2008 General Obligation Bonds	3.625% - 4.00%	05-15-2008	1,065,000	10-01-2018	840,000		90,000	750,000	32,813
KDHE loan sewer improvements	2.98%	11-12-2003	3,063,879	03-01-2025	2,420,303		135,669	2,284,634	71,082
Capital lease	6.53%	07-26-2007	25,485	07-01-2012	8,984		5,566	3,418	422
Capital lease	5.12%	06-23-2008	43,227	01-25-2011	14,946		14,946		963
Capital lease	5.20%	12-08-2008	44,870	11-01-2011	15,684		15,684		854
Capital lease	5.20%	12-08-2008	20,774	11-01-2011	10,882		10,882		594
Capital lease	6.66%	12-07-2009	33,054	06-15-2013	27,504		10,326	17,178	1,824
Capital lease	3.75%	12-17-2010	64,037	06-17-2013	64,037		21,358	42,679	1,210
Capital lease	3.35%	10-26-2011	49,685	01-31-2014		49,865		49,865	
Capital lease	3.35%	10-26-2011	31,127	01-31-2014		31,127		31,127	
Total contractual indebtedness					8,317,340	80,992	664,431	7,733,901	312,667
Compensated absences	N/A	N/A	N/A	N/A	307,612	69		307,681	
Total long-term debt					<u>\$8,624,952</u>	<u>\$81,061</u>	<u>\$664,431</u>	<u>\$8,041,582</u>	<u>\$312,667</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
 SCHEDULE OF MATURITIES OF LONG-TERM DEBT  
 Year ended December 31, 2011

	Year							
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017-2021</u>	<u>2022-2026</u>	<u>Total</u>
Principal								
General Obligation Bonds	\$470,000	\$495,000	\$515,000	\$530,000	\$555,000	\$2,740,000	\$ -	\$5,305,000
KDHE loan sewer improvements	139,742	143,937	148,258	152,709	157,294	860,205	682,489	2,284,634
Capital leases	62,804	54,237	27,226					144,267
Total principal	<u>672,546</u>	<u>693,174</u>	<u>690,484</u>	<u>682,709</u>	<u>712,294</u>	<u>3,600,205</u>	<u>682,489</u>	<u>7,733,901</u>
Interest								
General Obligation Bonds	214,118	193,442	174,235	154,438	133,845	330,465		1,200,543
KDHE loan sewer improvements	67,049	62,853	58,532	54,081	49,496	173,748	41,278	507,037
Capital leases	4,245	5,899	926					11,070
Total interest	<u>285,412</u>	<u>262,194</u>	<u>233,693</u>	<u>208,519</u>	<u>183,341</u>	<u>504,213</u>	<u>41,278</u>	<u>1,718,650</u>
Total principal and interest	<u>\$957,958</u>	<u>\$955,368</u>	<u>\$924,177</u>	<u>\$891,228</u>	<u>\$895,635</u>	<u>\$4,104,418</u>	<u>\$723,767</u>	<u>\$9,452,551</u>

The accompanying notes are an integral part of these statements.

CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2011

NOTE A - FUND DESCRIPTIONS

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for 2011.

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds - to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Debt service fund - to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

Capital project funds - to account for the acquisition or construction of major capital assets.

NOTE B - SUMMARY OF ACCOUNTING POLICIES

1. Reporting entity

The City of Edwardsville, Kansas, was incorporated on June 28, 1915, as a third-class city. In 2008, the City was designated a second-class city. The City operates under a Mayor-Council form of government with a City Administrator and provides the following services as authorized by its charter: public safety (police and fire), highway and street maintenance, sanitation, culture/recreation, public improvements, planning and zoning and general administrative services.

These financial statements present the City of Edwardsville (the primary government). The reporting entity has no separate component units.



CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2011

NOTE B - SUMMARY OF ACCOUNTING POLICIES - Continued

2. Budgetary control and encumbrances

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding calendar year on or before August 1.
- b. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
- c. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
- d. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There was one amendment to the budget for the year ended December 31, 2011.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds and the following special revenue funds:

Law Enforcement Trust Fund  
Cemetery Board Operating Fund  
Governmental Grants Fund  
Technology Fund

CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2011

NOTE B - SUMMARY OF ACCOUNTING POLICIES - Continued

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by other statutes, or by the use of internal spending limits established by the governing body.

3. Basis of presentation

The statutory basis of accounting as used in the preparation of these financial statements is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund; an expenditure would be charged in the fund from which the transfer is made.

4. Waiver of financial reporting requirements

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

5. Departure from generally accepted accounting principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivable, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General assets that account for the land, buildings and equipment owned are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, capital lease obligations, and compensated absences are not presented in the financial statements.

CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2011

NOTE B - SUMMARY OF ACCOUNTING POLICIES - Continued

6. Compensated absences

Accumulated and vested vacation leave that can be estimated, with reasonable accuracy, and is expected to be liquidated with current, available financial resources is reported as an expenditure and a fund liability of the fund that will pay it. Amounts of vested and accumulated vacation leave that are not expected to be liquidated with expendable current financial resources are reported in the long-term debt. No expenditure is reported for these amounts.

In accordance with the provisions of Governmental Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

NOTE C - DEPOSITS AND INVESTMENTS

At December 31, 2011, the City had the following investments:

<u>Type</u>	<u>Fair value</u>	<u>Rating</u>
Bank certificates of deposit	\$47,407	N/A

K.S.A. 9-1401 establishes the depositories which may be used by the City of Edwardsville. The statute requires banks eligible to hold the City of Edwardsville's funds have a main or branch bank in the county in which the City of Edwardsville is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City of Edwardsville has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City of Edwardsville's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City of Edwardsville has no investment policy that would further limit its investment choices. The rating of the City of Edwardsville's investments is noted above.

*Concentration of credit risk.* State statutes place no limit on the amount the City of Edwardsville may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk - deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City of Edwardsville's deposits may not be returned to it. State statutes require the City of Edwardsville's

CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2011

NOTE C - DEPOSITS AND INVESTMENTS - Continued

deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the City of Edwardsville's carrying amount of deposits was \$2,043,383 and the bank balance was \$2,028,357. Of the bank balance, \$302,231 was covered by federal depository insurance, \$1,726,126 was collateralized with securities held by the pledging financial institutions' agents in the City of Edwardsville's name.

*Custodial credit risk - investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the City of Edwardsville will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

NOTE D - INTERFUND OPERATING TRANSFERS

A summary of interfund operating transfers is as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$194,335	\$ -
Special Highway		75,000
Sewer Maintenance Fund		85,000
Debt Service Fund	160,000	
Governmental Grants Fund		194,335
Capital Improvement Fund -		
2006 GO Bond Issue		94,693
110th Street	<u>94,693</u>	
	<u>\$449,028</u>	<u>\$449,028</u>

CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2011

NOTE E - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Statutory violations

Under Kansas statutes, expenditures are mandated to be controlled, so that no indebtedness is created in excess of budgeted limits. Management is not aware of any statutory violations.

NOTE F - RETIREMENT PLANS

The City of Edwardsville, Kansas, participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Fireman's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS and KP&F provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas' law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available joint financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3869) or by calling 1-888-275-5737.

Currently, K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4 percent of covered salary. K.S.A. 74-4975 establishes the KP&F member-employee contribution rate at 7 percent of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS and KP&F are funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates. The KPERS employer rate established by statute for calendar year 2011 was 7.74 percent. Included in this rate is the contribution for Group Death and Disability Insurance of 1.0%. From April 1, 2011 through June 30, 2011, the State of Kansas imposed a moratorium on the collection of the premium of 1.00% of the Group Death and Disability Insurance rate. The City's employer contributions to KPERS for the years ended December 31, 2011, 2010, and 2009 were \$29,966, \$28,189, and \$22,630, respectively, equal to the required contributions for each year. The KP&F employer rates established for 2011 were 17.13 percent (police) and 19.17 percent (fire). Employers participating in KP&F also make contributions to amortize the liability for past service costs, if any, which is determined separately for each participating employer. The City's regular employer contributions to KP&F for the years ended December 31, 2011, 2010, and 2009, were \$273,028, \$250,408, and \$256,436, respectively.

CITY OF EDWARDSVILLE, KANSAS  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
December 31, 2011

NOTE G - LITIGATION

The City is involved in legal proceedings arising from the ordinary course of City activities. While these proceedings may have future financial effect, management believes that their ultimate outcome will not be material to the basic financial statements.

NOTE H - CONDUIT DEBT OBLIGATIONS

The City issued Industrial Revenue Bonds for the capital needs of unrelated parties. The principal and interest payments on the bonds are payable solely from funds generated from leases, etc., from such unrelated parties. Accordingly, the bonds and related leases, etc., are not recorded in the City's accounts. As of December 31, 2011, there were twelve series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of approximately \$76.8 million.

NOTE I - OTHER POST EMPLOYMENT BENEFITS

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. Each retiree pays the full amount of the applicable age adjusted premium, which is expected to cover the costs of the retiree benefits, thus, there is no cost to the City.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE J - SUBSEQUENT EVENTS

Subsequent events were evaluated through May 31, 2012, which is the date the financial statements were available to be issued.